

# Self Investments

## Investment disclaimer and risk warning

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Royal London has received a request from you (or your financial adviser) to invest in an asset that is or could become illiquid, that could become worthless or an asset that may be subject to the taxable property rules. If we carry out your request this may impact on our ability to make payments to you or your dependants and may increase the risk of you and/or the trustees of The Scottish Life Personal Pension Scheme incurring tax charges or fines in the future.

Scottish Life is a division of Royal London. Royal London consists of The Royal London Mutual Insurance Society Limited and its subsidiaries.

Plans which carry the Scottish Life brand are offered and administered by Royal London.

### Important Information

Please read before completing this application form

- You should consult your financial adviser before asking us to buy into an illiquid asset or purchase an asset that could be subject to the taxable property rules or where the value of the asset can reduce to zero.
- You should seek advice from your financial adviser if you have any doubts or if you are unsure of how to proceed.
- You or your adviser should always contact us before committing to purchase any illiquid asset, an asset that could be subject to the taxable property rules or an asset where the value can reduce to zero as the proposed purchase may not be acceptable to us.
- You must read this document carefully, sign the declaration at the end and return it to us before we will consider your request.
- You must also make sure that you give us enough notice to make the investment. We will need to be in possession of a signed copy of this form at least one month prior to any closing date. If we do not receive enough notice, we might not be able to make the investment in time. In these circumstances, we will not be liable for any loss or potential loss.
- Please complete, sign and return this form to:  
**The SIPP Administration Team,  
Scottish Life,  
Royal London House,  
Alderley Road,  
Wilmslow, Cheshire,  
SK9 1PF.**

# 1. Liquidity risks

An illiquid asset is one that cannot easily be converted back into cash. These assets are not usually traded on any recognised exchange and therefore you might not be able to sell your holding when you want or need to. Many of these types of assets are also non-transferable. You should consider these factors before you invest as they may have a significant impact on our ability to:

- Make pension commencement lump sum payments
- Make unsecured or alternatively secured pension payments
- Buy an annuity for you or your dependants
- Transfer some or all of your Pension Portfolio holdings to another pension provider (including pension debits)
- Recover administration charges and fees that are due to be taken from your Pension Portfolio Bank Account

It is your and your adviser's responsibility to ensure that the investments you make within your Pension Portfolio are diverse enough to provide enough cash to make any payments that are due.

In some circumstances you might need to cash in, sell or transfer all of the investments in your Pension Portfolio and sometimes this has to happen within a certain timeframe. The time restrictions are imposed by HM Revenue & Customs (HMRC) or sometimes by the courts and if these are not met, fines may be imposed or tax charges levied. Any such charges will be deducted from your Pension Portfolio. Therefore you must give us as much notice as you can (where it is possible to give notice) to allow us enough time to cash in, sell or transfer your investments. You, or your personal representatives, should get in touch with us as soon as possible if:

- Your Pension Portfolio is to be subject to a Pension Sharing Order
- Your Pension Portfolio is to be subject to a pension debit
- You intend to retire because of serious ill-health
- Your Pension Portfolio is to be transferred to another pension provider (whether the transfer is to be done "in-specie" or as a cash transfer)
- You die

You should also let other parties know that your Pension Portfolio holds some illiquid assets. This should be taken into consideration when you agree timeframes or in the case of a Pension Sharing Order, how the settlement is made.

In the case of divorce, the courts will expect us to comply with a Pension Sharing Order within 4 months of the date it is issued. You must therefore inform us at your earliest opportunity of your intention to divorce so that, if a Pension Sharing Order is issued, we will have as much time as possible to sell or cash in your investments. Often illiquid investments can take well in excess of 4 months to sell.

If illiquid assets are sold before the intended maturity date, the sale might occur at a disadvantageous price. We will not be liable for any monetary loss in these circumstances.

We reserve the right to refuse to act on any investment request as set out in the Pension Portfolio Self Investments Terms and Conditions.

# 2. Trading risks and limited services

## Staggered Sales

If you, or your adviser, ask us to sell some or all your Self Investments and you hold illiquid assets, we might have to stagger the sale. This could result in some assets being sold before others and the cash proceeds of the sale being placed in your Pension Portfolio Bank Account for a period of time before your request can be fully completed. If this happens we will carry out your instructions but, if an illiquid asset cannot be sold immediately (or there is a future settlement date), we will not accept liability for any loss of potential return that may result because of the staggered sale procedure or because the illiquid assets cannot be sold immediately.

## Investment Reviews

We will not review the composition of your fund or take into consideration any market conditions or impending activity that might also contribute to loss of potential return.

## Contingent Trading

For investments that do not offer regular trading it is not possible for us to offer a back-to-back (contingent) trading service. When you or your adviser submit an investment request, we will only carry out your instructions if you have enough cash in your Pension Portfolio Bank Account to make the purchase. When you or your adviser submit a disinvestment (sale) request, we carry out your instruction as soon as we can and place the proceeds of the sale into your Pension Portfolio Bank Account. If you then want to use that cash to buy another asset, you or your adviser must submit a further investment request. We are not able to accept or hold any reinvestment instructions for the cash proceeds of a sale.

### 3. Negative Balances

The value of some assets can be wiped out by market movements or because the investment provider goes out of business. Therefore it is possible that some assets and particularly some types of structured products to end up having no value or, in extreme circumstances, a negative value.

A negative value can happen when the value of the investment has been wiped out and there is nothing left to cover fees and/or charges that are due.

E.g. Structured products can hold a range of assets including OEICs, hedge funds and deposits. If a product held a single asset such as a hedge fund and the hedge fund provider finds itself in trouble then the product might become worthless with no means of paying off the fees that are due. This would result in a negative balance within the structured product.

If that happens, you should note if any fees are owed your Pension Portfolio (and ultimately you personally) are liable for the outstanding fees/charges or other sums due to us or a third-party, and we may need to sell other assets to cover those liabilities and/or close your plan.

### 4. Taxable property risk

**Royal London will not accept requests to invest directly in 'taxable property' (as defined by HMRC<sup>1</sup>) within your Pension Portfolio as this may result in an unauthorised member payment being charged to you personally and a scheme sanction charge being charged to The Scottish Life Personal Pension Scheme. In addition, further scheme sanction charges may be applied to The Scottish Life Personal Pension Scheme on any future income or capital gains from the investment.**

However, if you ask us to invest in a genuinely diverse investment vehicle that holds interests in taxable property we may, at our sole discretion, carry out your investment request but you or your financial adviser will be responsible for ensuring that the following provisions are met:

1. The collective 'interest' you hold in the 'vehicle' that owns the taxable property (including Real Estate Investment Trusts) must be below 10%. This means that your combined interest (including your personal interest outside of your Pension Portfolio along with anyone you are connected to) must not hold or have entitlement to:
  - a) 10% or more of the share capital
  - b) 10% or more of the voting rights
  - c) the right to receive 10% or more of the income
  - d) 10% or more of the distributions
  - e) 10% or more of the assets on the winding up of the vehicle
  - f) Income or gains from any specific property held within the vehicle
2. You must not have access to use the property
3. Where the vehicle's main activity is the carrying on of a trade, profession or vocation then you are responsible for ensuring that:
  - a) The vehicle cannot be controlled by your Pension Portfolio, either on its own or collectively with any associated person
  - b) The purpose for investment is not so that you or any person you are connected to can occupy or use the 'property'
  - c) Neither you or a person connected to you is a controlling director of the vehicle or any other vehicle that holds a direct or indirect interest in it

Failure to conform to these provisions will result in tax charges being levied.

If scheme sanction charges, any other tax charge or fine is levied against The Scottish Life Personal Pension Scheme because you have failed to comply with the restrictions set out above, by signing this document, you agree to reimburse us to the value of the charges. The charges will be taken from your Pension Portfolio Bank Account. If you do not have enough cash in your Pension Portfolio Bank Account, we will sell assets (as set out in the Pension Portfolio Self Investments Terms and Conditions) to the required value. We will use money we deduct from your Pension Portfolio Bank Account or the proceeds of any sale that is required to cover the cost of the sanction charge, other tax charges or fines we have incurred.

We reserve the right to refuse to act on any investment request as set out in the Pension Portfolio Self Investments Terms and Conditions.

<sup>1</sup>Taxable Property consists of residential property and most tangible moveable assets.

## 5. Declaration

I understand that by signing this declaration, I am confirming that:

- I have read this document
- I understand and accept the additional investment risks.
- I or my financial adviser will carry out the monitoring required if I choose to invest in a diversified investment vehicle that holds taxable property
- I will reimburse Royal London if they incur any fines or tax charges because I have chosen to invest in illiquid assets and/or in a vehicle that holds taxable property
- I accept that I am ultimately personally responsible for paying any outstanding fees/charges or other sums due to Royal London or a third-party that have resulted because I have chosen to invest in an asset or a product where the value has reduced by such an extent that the fees/charges and other sums are not covered by it.
- I accept the trading restrictions set out above
- I agree to be bound by the terms set out in this document
- I must return a signed copy of this document to Royal London before they will proceed with my request to invest in illiquid assets/ an asset or product with the potential to have a negative value/a diversified investment vehicle that invests in taxable property

If, after reading this document, you are still unsure of how to proceed, please consult your financial adviser before signing.

If you did NOT receive advice from a financial adviser about taking out this Plan, please tick this box.

If you are under 18, your legal guardian must sign below. Otherwise, you should sign.

**Signature**

**Date**

**Print name**

**Plan number if known**

YOU ARE ADVISED TO KEEP A COPY OF ALL MATERIAL YOU SUBMIT TO US IN RELATION TO YOUR PENSION PORTFOLIO. COPIES OF THIS COMPLETED DECLARATION, YOUR APPLICATION FORM(S), THE TERMS AND CONDITIONS AND THE SCHEME RULES ARE AVAILABLE ON REQUEST.

All literature about products that carry the Scottish Life brand is available in large print format on request to the Marketing Department. All our printed materials are 100% recycled, supporting responsible use of forest resource. Full details of Scottish Life branded products can also be obtained from the Marketing Department at Scottish Life, St Andrew House, 1 Thistle Street, Edinburgh, EH2 1DG.

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